

GUTHRIE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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GUTHRIE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Laughery	Board of Supervisors	Jan. 2007
Jim Peterson	Board of Supervisors	Jan. 2007
Kevin Wirt	Board of Supervisors	Jan. 2007
Jerome Caraher	Board of Supervisors	Jan. 2009
Lonnie Bench	Board of Supervisors	Jan. 2009
John Rutledge	County Auditor	Jan. 2009
Marcia Kindred	County Treasurer	Jan. 2007
Jacki Sloss	County Recorder	Jan. 2007
Roger Baird	County Sheriff	Jan. 2009
Mary Benton	County Attorney	Jan. 2007
Barry Stetzel	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Guthrie County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Guthrie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie County at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2006 on our consideration of Guthrie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 44 through 47 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Guthrie County's basic financial statements. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 7, 2006

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Basic Financial Statements

GUTHRIE COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	
County Treasurer	\$ 6,036,369
Component unit treasurers	450,358
Other County officials	50
Receivables:	
Property tax:	
Delinquent	37,246
Succeeding year	3,112,000
Interest and penalty on property tax	80,272
Accounts	356,351
Accrued interest	55,188
Due from other governments	440,017
Inventories	779,807
Prepaid expenses	89,714
Capital assets, net of accumulated depreciation (note 4)	<u>6,791,425</u>
Total assets	<u>18,228,797</u>
Liabilities	
Accounts payable	188,944
Salaries and benefits payable	58,336
Due to other governments (note 5)	216,117
Accrued interest payable	8,250
Claims incurred but not reported	120,000
Deferred revenue:	
Succeeding year property tax	3,112,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Tax increment urban renewal revenue bonds	197,000
Compensated absences	124,979
Portion due or payable after one year:	
Tax increment urban renewal revenue bonds	1,892,000
Estimated liability for landfill closure and postclosure care	<u>371,582</u>
Total liabilities	<u>6,289,208</u>

GUTHRIE COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 4,702,425
Restricted for:	
Supplemental levy purposes	266,221
Mental health purposes	99,862
Rural services	925,111
Secondary roads	2,166,648
Other special revenue purposes	940,653
Unrestricted	<u>2,838,669</u>
Total net assets	<u><u>\$ 11,939,589</u></u>

See notes to financial statements.

GUTHRIE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 899,171	\$ 61,871	\$ 1,401	\$ -	\$ (835,899)
Physical health and social services	948,552	550,031	286,661	-	(111,860)
Mental health	1,153,323	37,850	754,684	-	(360,789)
County environment and education	952,675	304,128	18,420	-	(630,127)
Roads and transportation	3,689,781	155,205	2,708,944	162,752	(662,880)
Government services to residents	471,876	285,641	-	93,561	(92,674)
Administration	751,691	33,835	-	-	(717,856)
Interest on long-term debt	116,598	-	-	-	(116,598)
Total	\$ 8,983,667	\$ 1,428,561	\$ 3,770,110	\$ 256,313	(3,528,683)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,747,888
Penalty and interest on property tax					45,264
State tax credits					188,011
Local option sales and services tax					656,937
Unrestricted investment earnings					216,978
Miscellaneous					354,317
Total general revenues					5,209,395
Change in net assets					1,680,712
Net assets beginning of year					10,258,877
Net assets end of year					\$ 11,939,589

See notes to financial statements.

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GUTHRIE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments:				
County Treasurer	\$ 2,639,705	\$ 349,176	\$ 1,143,381	\$ 1,196,680
Component unit treasurers	-	-	-	-
Other County officials	-	-	-	50
Receivables:				
Property tax:				
Delinquent	24,068	6,734	6,444	-
Succeeding year	1,781,000	410,000	559,000	-
Interest and penalty on property tax	80,272	-	-	-
Accounts	234,474	-	81,288	40,190
Accrued interest	50,836	-	-	-
Due from other governments	90,305	2,496	84,042	258,095
Inventories	-	-	-	779,807
Prepaid expenses	46,592	-	3,520	39,602
Advances to other funds (note 7)	123,174	-	-	-
Total assets	<u>\$ 5,070,426</u>	<u>\$ 768,406</u>	<u>\$ 1,877,675</u>	<u>\$ 2,314,424</u>

<u>Urban Renewal</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 44,350	\$ 233,967	\$ 5,607,259
-	450,358	450,358
-	-	50
-	-	37,246
362,000	-	3,112,000
-	-	80,272
-	399	356,351
203	743	51,782
-	5,079	440,017
-	-	779,807
-	-	89,714
-	-	123,174
<u>\$ 406,553</u>	<u>\$ 690,546</u>	<u>\$ 11,128,030</u>

GUTHRIE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 20,266	\$ 42,427	\$ 19,769	\$ 44,073
Salaries and benefits payable	15,930	-	1,219	41,187
Due to other governments (note 5)	-	216,117	-	-
Advances from other funds (note 7)	-	-	-	-
Deferred revenue:				
Succeeding year property tax	1,781,000	410,000	559,000	-
Other	104,340	6,734	6,444	-
Total liabilities	<u>1,921,536</u>	<u>675,278</u>	<u>586,432</u>	<u>85,260</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	779,807
Prepaid expenses	46,592	-	3,520	39,602
Supplemental levy purposes	259,001	-	-	-
Advances to other funds	123,174	-	-	-
Conservation purposes	-	-	-	-
Debt service	-	-	-	-
Unreserved:				
Designated for closure and postclosure care	-	-	-	-
Undesignated, reported in:				
General fund	2,720,123	-	-	-
Special revenue funds	-	93,128	1,287,723	1,409,755
Total fund balances	<u>3,148,890</u>	<u>93,128</u>	<u>1,291,243</u>	<u>2,229,164</u>
Total liabilities and fund balances	<u>\$ 5,070,426</u>	<u>\$ 768,406</u>	<u>\$ 1,877,675</u>	<u>\$ 2,314,424</u>

See notes to financial statements.

<u>Urban Renewal</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 126,535
-	-	58,336
-	-	216,117
123,174	-	123,174
362,000	-	3,112,000
-	-	117,518
<u>485,174</u>	<u>-</u>	<u>3,753,680</u>
-	-	779,807
-	-	89,714
-	-	259,001
-	-	123,174
-	537,543	537,543
50,025	-	50,025
-	10,000	10,000
-	-	2,720,123
(128,646)	143,003	2,804,963
<u>(78,621)</u>	<u>690,546</u>	<u>7,374,350</u>
<u>\$ 406,553</u>	<u>\$ 690,546</u>	<u>\$ 11,128,030</u>

GUTHRIE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances of governmental funds	\$ 7,374,350
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$11,249,189 and the accumulated depreciation is \$4,457,764.	6,791,425
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	117,518
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	250,107
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,250)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,585,561)</u>
Net assets of governmental activities	<u><u>\$ 11,939,589</u></u>

See notes to financial statements.

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GUTHRIE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2006

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,074,548	\$ 580,468	\$ 1,275,432	\$ -
Interest and penalty on property tax	45,264	-	-	-
Intergovernmental	976,093	825,388	88,801	2,945,875
Licenses and permits	32,408	-	-	955
Charges for service	406,885	751	34,713	-
Use of money and property	241,568	-	173	746
Miscellaneous	85,320	504	206,785	79,925
Total revenues	<u>3,862,086</u>	<u>1,407,111</u>	<u>1,605,904</u>	<u>3,027,501</u>
Expenditures:				
Operating:				
Public safety and legal services	860,808	-	-	-
Physical health and social services	926,279	-	-	-
Mental health	-	1,153,323	-	-
County environment and education	334,031	-	562,919	-
Roads and transportation	-	-	22,159	3,401,455
Government services to residents	466,068	-	-	-
Administration	704,291	-	-	29,344
Debt service	-	-	-	-
Capital projects	-	-	-	461,125
Total expenditures	<u>3,291,477</u>	<u>1,153,323</u>	<u>585,078</u>	<u>3,891,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>570,609</u>	<u>253,788</u>	<u>1,020,826</u>	<u>(864,423)</u>
Other financing sources (uses):				
Sale of capital assets	306,460	-	-	7,383
Interfund transfers in (note 3)	-	-	-	825,710
Interfund transfers out (note 3)	(55,558)	-	(770,152)	-
Total other financing sources (uses)	<u>250,902</u>	<u>-</u>	<u>(770,152)</u>	<u>833,093</u>
Net change in fund balances	821,511	253,788	250,674	(31,330)
Fund balances beginning of year	<u>2,327,379</u>	<u>(160,660)</u>	<u>1,040,569</u>	<u>2,260,494</u>
Fund balances end of year	<u>\$ 3,148,890</u>	<u>\$ 93,128</u>	<u>\$ 1,291,243</u>	<u>\$ 2,229,164</u>

See notes to financial statements.

<u>Urban</u>		Nonmajor		
<u>Renewal</u>		Governmental		
		<u>Funds</u>	<u>Total</u>	
\$	393,421	\$ -	\$	4,323,869
	-	-		45,264
	264	9,781		4,846,202
	-	-		33,363
	-	4,167		446,516
	2,561	12,365		257,413
	-	39,028		411,562
	<u>396,246</u>	<u>65,341</u>		<u>10,364,189</u>
	-	3,799		864,607
	-	1,753		928,032
	-	-		1,153,323
	-	35,862		932,812
	-	-		3,423,614
	-	4,936		471,004
	-	-		733,635
	340,512	-		340,512
	-	-		461,125
	<u>340,512</u>	<u>46,350</u>		<u>9,308,664</u>
	<u>55,734</u>	<u>18,991</u>		<u>1,055,525</u>
	-	-		313,843
	-	-		825,710
	-	-		(825,710)
	<u>-</u>	<u>-</u>		<u>313,843</u>
	55,734	18,991		1,369,368
	<u>(134,355)</u>	<u>671,555</u>		<u>6,004,982</u>
\$	<u><u>(78,621)</u></u>	\$ <u><u>690,546</u></u>	\$	<u><u>7,374,350</u></u>

GUTHRIE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 1,369,368

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

Capital outlays	\$ 607,764	
Depreciation expense	<u>(537,173)</u>	70,591

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

Property tax	80,956	
Services	<u>(94,609)</u>	(13,653)

Repayment of bond principal are expenditures in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets. 223,316

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Adjustment to estimated costs for closure and postclosure care	8,962	
Compensated absences	8,339	
Interest on long-term debt	<u>598</u>	17,899

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities.

13,191

Change in net assets of governmental activities \$ 1,680,712

See notes to financial statements.

GUTHRIE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 429,110
Accrued interest	<u>3,406</u>
Total assets	<u>432,516</u>
Liabilities	
Accounts payable	62,409
Claims incurred but not reported	<u>120,000</u>
Total liabilities	<u>182,409</u>
Net Assets	
Unrestricted	\$ <u><u>250,107</u></u>

See notes to financial statements.

GUTHRIE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 747,049
Reimbursements from employees	122,552
Insurance reimbursements	<u>145,303</u>
Total operating revenues	<u>1,014,904</u>
Operating expenses:	
Medical and health services	819,406
Health plan administration and stop loss insurance	<u>197,331</u>
Total operating expenses	<u>1,016,737</u>
Operating loss	(1,833)
Non-operating revenues:	
Interest income	<u>15,024</u>
Net income	13,191
Net assets beginning of year	<u>236,916</u>
Net assets end of year	<u>\$ 250,107</u>

See notes to financial statements.

GUTHRIE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 747,049
Cash received from employees and others	283,673
Cash paid for health claims	(735,838)
Cash paid for administrative services and stop loss insurance	<u>(197,331)</u>
Net cash provided by operating activities	<u>97,553</u>
Cash flows from investing activities:	
Interest on investments	<u>11,618</u>
Net increase in cash and cash equivalents	109,171
Cash and cash equivalents at beginning of year	<u>319,939</u>
Cash and cash equivalents at end of year	<u>\$ 429,110</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,833)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	15,818
Increase in accounts payable	62,409
Increase in claims incurred but not reported	<u>21,159</u>
Net cash provided by operating activities	<u>\$ 97,553</u>

See notes to financial statements.

GUTHRIE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

Assets	
Cash and pooled investments:	
County Treasurer	\$ 582,416
Other County officials	26,267
Receivables:	
Property tax receivable:	
Delinquent	110,664
Succeeding year	11,874,000
Accounts	61
Accrued interest	1
Special assessments:	
Delinquent	20,819
Succeeding year	80,853
Drainage assessments	11,116
Due from other governments	3,280
Prepaid expenses	<u>1,162</u>
Total assets	<u>\$ 12,710,639</u>
Liabilities	
Accounts payable	15,477
Due to other governments (note 5)	12,682,872
Trusts payable	951
Compensated absences	<u>11,339</u>
Total liabilities	<u>\$ 12,710,639</u>

See notes to financial statements.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

Guthrie County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Guthrie County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Guthrie County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ten drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Guthrie County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the drainage districts can be obtained from the Guthrie County Auditor's office.

The Prairie Woodland Conservation Foundation (formerly the Guthrie County Conservation Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of environmental education and conservation projects which are not included in the County's budget.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The Guthrie County Historical Village Foundation (formerly the Turn of the Century Museum Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of museum projects and activities which are not included in the County's budget.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Guthrie County Assessor's Conference Board and Guthrie County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in several jointly governed organizations for which the County is not financially accountable or the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Area XII Alcoholism and Drug Treatment Unit, Community Opportunities, Inc., South Central Youth and Family Services Commission, Area XII Council of Governments, Western Iowa Tourism, South Central Iowa Regional E-911 Service Board and the Guthrie County Regional Airport Authority.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Urban Renewal Revenue Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal districts and used to pay the principal and interest on the tax increment urban renewal revenue bonds and other indebtedness incurred for urban renewal projects.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Current assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year assessments receivable represents remaining assessments which are payable, but not yet due.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Improvements other than buildings	20-50
Infrastructure	30-50
Equipment	2-20
Vehicles	3-10

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Fund are designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the Capital Projects function before amendment by the County and disbursements in certain departments exceeded the amounts appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 55,558
	Special Revenue: Rural Services	<u>770,152</u>
		<u>\$ 825,710</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,247,717	\$ 52,479	\$ -	\$ 1,300,196
Construction in progress	161,880	-	161,880	-
Total capital assets not being depreciated	<u>1,409,597</u>	<u>52,479</u>	<u>161,880</u>	<u>1,300,196</u>
Capital assets being depreciated:				
Buildings	2,112,746	-	-	2,112,746
Improvements other than buildings	8,525	18,177	-	26,702
Machinery and equipment	6,139,997	217,955	252,479	6,105,473
Infrastructure	1,223,039	481,033	-	1,704,072
Total capital assets being depreciated	<u>9,484,307</u>	<u>717,165</u>	<u>252,479</u>	<u>9,948,993</u>
Less accumulated depreciation for:				
Buildings	994,460	47,601	-	1,042,061
Improvements other than buildings	1,705	1,110	-	2,815
Machinery and equipment	3,150,708	465,082	252,479	3,363,311
Infrastructure	26,197	23,380	-	49,577
Total accumulated depreciation	<u>4,173,070</u>	<u>537,173</u>	<u>252,479</u>	<u>4,457,764</u>
Total capital assets being depreciated, net	<u>5,311,237</u>	<u>179,992</u>	<u>-</u>	<u>5,491,229</u>
Governmental activities capital assets, net	<u>\$ 6,720,834</u>	<u>\$ 232,471</u>	<u>\$ 161,880</u>	<u>\$ 6,791,425</u>

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 36,100
Physical health and social services	25,515
County environment and education	40,296
Roads and transportation	413,086
Government services to residents	2,519
Administration	<u>19,657</u>

Total depreciation expense - governmental activities	<u><u>\$ 537,173</u></u>
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Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Governmental:		
Special Revenue, Mental Health	Services	<u><u>\$ 216,117</u></u>
Agency:		
Ag Extension	Collections	\$ 136,830
County Assessor		446,191
Schools		6,530,139
Area Schools		314,733
Corporations		2,348,470
Townships		1,270,381
Auto License and Use Tax		221,841
County Hospital		1,236,057
All Other		<u>178,230</u>
Total for agency funds		<u><u>\$ 12,682,872</u></u>

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Tax Increment Urban Renewal Bonds	Estimated Liability for Landfill Closure and Postclosure Care	Compensated Absences	Total
Balance beginning of year	\$ 2,312,316	\$ 380,544	\$ 133,318	\$ 2,826,178
Increases	-	1,166	124,979	126,145
Decreases	223,316	10,128	133,318	366,762
Balance end of year	<u>\$ 2,089,000</u>	<u>\$ 371,582</u>	<u>\$ 124,979</u>	<u>\$ 2,585,561</u>
Due within one year	<u>\$ 197,000</u>	<u>\$ -</u>	<u>\$ 124,979</u>	<u>\$ 321,979</u>

Tax Increment Urban Renewal Revenue Bonds

The County sold \$1,735,000 of tax increment urban renewal revenue bonds dated November 27, 2001 to provide an economic development incentive to the Tall Corn Ethanol cooperative and for capital improvements in the Tall Corn Ethanol Urban Renewal Area. The County sold an additional \$900,000 of tax increment urban renewal revenue bonds dated June 12, 2003 to provide capital improvements in the Tall Corn Ethanol Urban Renewal Area. The bonds are payable from the income and proceeds from a separate account within the Special Revenue, Urban Renewal Revenue Fund, which has not yet been established, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for the purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

Interest on the bonds shall be adjusted to a rate per annum equal to the yield at "constant maturity" of the five-year U.S. Treasury Notes, plus 90 basis points, on December 1, 2006, December 1, 2011, December 1, 2016 and December 1, 2021. However, the interest rate may not be more than 2% higher or lower than the preceding rate and the adjusted rate may not exceed 8% per annum or be less than 4% per annum. On December 1, 2005, and on each June 1 and December 1 as long as any of the principal of the bonds remain outstanding, to the extent there are proceeds remaining in the separate account within the Special Revenue, Urban Renewal Revenue Fund following each required payment of interest, such proceeds shall be applied to the payment of principal on the bonds. Since the interest rate and annual collections are variable, an amortization schedule is not included. Principal repayments of \$223,316 were made during the year.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 7. Advances To/From Other Funds

During the year ended June 30, 2002, the County authorized a \$417,301 advance from the General Fund to a separate account within the Special revenue, Urban Renewal Revenue Fund to reimburse the Special Revenue, Secondary Roads Fund for expenses incurred on behalf of the urban renewal area. The advance will be repaid from tax increment financing revenues collected in the separate account within the Special Revenue, Urban Renewal Revenue Fund and will include interest at 6% per annum. Repayments of \$89,000, including principal and interest, were made during the year ended June 30, 2006. Details of advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Urban Renewal/Revenue	\$ <u>123,174</u>

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$178,559, \$160,439 and \$157,164, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Guthrie County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

GUTHRIE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 9. Risk Management (continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$153,592.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2006

Note 10. Employee Health and Prescription Insurance Plan

The Guthrie County Employee Group Health and Prescription Fund was established to account for the partial self funding of the County's health insurance and prescription benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Guthrie County Employee Group Health and Prescription Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant, Inc. from the Guthrie County Employee Group Health and Prescription Fund. The County records the plan assets and related liabilities of the Guthrie County Health and Prescription Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$747,079.

Amounts payable from the Employee Group Health and Prescription Fund at June 30, 2006 total \$182,409 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$250,107 at June 30, 2006 and is reported as net assets of the Employee Group Health and Prescription Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2005	\$ <u>98,841</u>
Incurring claims (including claims incurred but not reported at June 30, 2005):	
Current year events	738,311
Prior year events	<u>81,095</u>
Total incurred claims	<u>819,406</u>
Payments:	
Current year events	654,743
Prior year events	<u>81,095</u>
Total payments	<u>735,838</u>
Unpaid claims at June 30, 2006	\$ <u><u>182,409</u></u>

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 11. Contingent Liabilities

South Central Iowa Regional E-911 Service Board General Obligation E-911 Notes

On April 15, 1999, the County entered into an agreement with the South Central Iowa Regional E-911 Service Board to assist in financing the repayment of debt and specific improvements and upgrades of the E-911 service system. The agreement provided for Guthrie County to sell general obligation E-911 notes on behalf of the Service Board for the purpose outlined above. The notes are to be repaid exclusively from E-911 service surcharge revenue.

The County is contingently liable on \$505,000 of the general obligation E-911 note indebtedness outstanding at June 30, 2006. Since the interest and note principal is currently paid out of South Central Iowa Regional E-911 Service Board revenues, this liability has not been recorded in the Statement of Net Assets. However, since the notes are a general obligation of the County, if the revenues of the Service Board are not adequate, a tax may be levied on all taxable property in the County.

The Service Board is required to make semi-annual payments on each June 1 and December 1 through June 1, 2012. The transactions for this E-911 note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2006 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	4.40 %	\$ 75,000	\$ 23,152	\$ 98,152
2008	4.45	80,000	19,853	99,853
2009	4.55	80,000	16,293	96,293
2010	4.60	85,000	12,653	97,653
2011	4.70	90,000	8,742	98,742
2012	4.75	95,000	4,513	99,513
		<u>\$ 505,000</u>	<u>\$ 85,206</u>	<u>\$ 590,206</u>

Note 12. Landfill Closure and Postclosure Care

To comply with federal and state regulations, the County is required to complete a monitoring system plan and a landfill closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and the care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate a landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 12. Landfill Closure and Postclosure Care (continued)

Governmental Accounting Standards Board Statement No. 18, effective for periods beginning after June 15, 1993, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for charges due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Guthrie County have been estimated at \$365,309 as of June 30, 2006, and that liability has been recognized. The liability represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

Guthrie County operates a transfer station where the waste is transferred for disposal under a 28E agreement to a local area landfill. The total costs for Guthrie County have been estimated at \$6,273 as of June 30, 2006, and that liability has been recognized. The County has dedicated \$10,000 in a closure account to cover these costs.

Note 13. County Care Facility

On July 1, 1999, the County entered into a lease agreement with County View Estates, Inc. for the management and operation of the Guthrie County Care Facility and farm. The renewable lease, through June 30, 2008, is cancelable upon notice by either party. Annually, the County will provide certain financial support for the operation of the care facility.

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Required Supplementary Information

GUTHRIE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax	\$ 4,298,050	\$ -	\$ 4,298,050
Interest and penalty on property tax	45,411	-	45,411
Intergovernmental	4,846,521	-	4,846,521
Licenses and permits	32,539	-	32,539
Charges for service	427,284	-	427,284
Use of money and property	256,650	9,066	247,584
Miscellaneous	414,056	37,383	376,673
Total receipts	<u>10,320,511</u>	<u>46,449</u>	<u>10,274,062</u>
DISBURSEMENTS:			
Public safety and legal services	869,937	-	869,937
Physical health and social services	987,449	-	987,449
Mental health	1,116,572	-	1,116,572
County environment and education	956,446	33,342	923,104
Roads and transportation	3,943,984	-	3,943,984
Government services to residents	479,053	-	479,053
Administration	778,564	-	778,564
Debt service	418,605	-	418,605
Capital projects	461,125	-	461,125
Total disbursements	<u>10,011,735</u>	<u>33,342</u>	<u>9,978,393</u>
Excess (deficiency) of receipts over (under) disbursements	308,776	13,107	295,669
Other financing sources, net	<u>117,595</u>	-	<u>117,595</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	426,371	13,107	413,264
Balance beginning of year	<u>5,631,296</u>	<u>446,165</u>	<u>5,185,131</u>
Balance end of year	<u>\$ 6,057,667</u>	<u>\$ 459,272</u>	<u>\$ 5,598,395</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 3,991,272	\$ 3,991,272	\$ 306,778
22,000	22,000	23,411
4,059,753	4,512,139	334,382
17,200	17,200	15,339
335,115	335,115	92,169
126,979	126,979	120,605
279,858	279,858	96,815
8,832,177	9,284,563	989,499
871,849	877,849	7,912
1,082,103	1,104,767	117,318
1,135,000	1,135,000	18,428
899,227	968,460	45,356
3,263,159	3,994,073	50,089
442,646	491,514	12,461
882,868	859,816	81,252
420,000	420,000	1,395
235,000	475,000	13,875
9,231,852	10,326,479	348,086
(399,675)	(1,041,916)	1,337,585
85,200	85,200	32,395
(314,475)	(956,716)	1,369,980
4,458,632	5,883,194	(698,063)
\$ 4,144,157	\$ 4,926,478	\$ 671,917

GUTHRIE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 10,320,511	\$ 43,678	\$ 10,364,189
Expenditures	10,011,735	(703,071)	9,308,664
Net	308,776	746,749	1,055,525
Other financing sources	117,595	196,248	313,843
Beginning fund balances	5,631,296	373,686	6,004,982
Ending fund balances	<u>\$ 6,057,667</u>	<u>\$ 1,316,683</u>	<u>\$ 7,374,350</u>

See accompanying independent auditor's report.

GUTHRIE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,094,627. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the capital projects function prior to amending the budget and disbursements in certain departments exceeded the amounts appropriated prior to amending the appropriations and at year end.

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Other Supplementary Information

GUTHRIE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Flood and Erosion</u>	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Drainage Districts</u>
Assets				
Cash and pooled investments:				
County Treasurer	\$ 30,588	\$ 13,247	\$ 14	\$ 8,914
Held by component unit treasurer	-	-	-	-
Receivables:				
Accounts	-	399	-	-
Accrued interest	-	24	-	-
Due from other governments	-	-	-	-
	<u>30,588</u>	<u>13,670</u>	<u>14</u>	<u>8,914</u>
Total assets	\$ <u>30,588</u>	\$ <u>13,670</u>	\$ <u>14</u>	\$ <u>8,914</u>
Liabilities and Fund Equity				
Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund balances:				
Reserved for:				
Conservation purposes	-	-	-	-
Unreserved:				
Designated for closure and postclosure care	-	-	-	-
Undesignated	30,588	13,670	14	8,914
Total fund equity	<u>30,588</u>	<u>13,670</u>	<u>14</u>	<u>8,914</u>
Total liabilities and fund equity	\$ <u>30,588</u>	\$ <u>13,670</u>	\$ <u>14</u>	\$ <u>8,914</u>

<u>Conservation Land Acquisition</u>	<u>Landfill Transfer Station Closure</u>	<u>Resource Enhancement and Protection</u>	<u>Canine</u>	<u>Attorney Seized Property</u>	<u>Sheriff Investigations</u>
\$ 20,769	\$ 10,000	\$ 81,546	\$ 4,436	\$ 433	\$ 2,193
-	-	-	-	-	-
-	-	-	-	-	-
-	-	560	156	-	1
-	-	5,079	-	-	-
<u>\$ 20,769</u>	<u>\$ 10,000</u>	<u>\$ 87,185</u>	<u>\$ 4,592</u>	<u>\$ 433</u>	<u>\$ 2,194</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	87,185	-	-	-
-	10,000	-	-	-	-
20,769	-	-	4,592	433	2,194
<u>20,769</u>	<u>10,000</u>	<u>87,185</u>	<u>4,592</u>	<u>433</u>	<u>2,194</u>
<u>\$ 20,769</u>	<u>\$ 10,000</u>	<u>\$ 87,185</u>	<u>\$ 4,592</u>	<u>\$ 433</u>	<u>\$ 2,194</u>

GUTHRIE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Fairgrounds Amphitheater</u>	<u>Work Release Program</u>	<u>Healthy Activities/ Wellness</u>	<u>Prairie Woodland Conservation Foundation</u>
Assets				
Cash and pooled investments:				
County Treasurer	\$ 58,249	\$ 1,681	\$ 1,897	\$ -
Held by component unit treasurer	-	-	-	405,386
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	-	2	-
Due from other governments	-	-	-	-
	<u>58,249</u>	<u>1,681</u>	<u>1,899</u>	<u>405,386</u>
Total assets	<u>\$ 58,249</u>	<u>\$ 1,681</u>	<u>\$ 1,899</u>	<u>\$ 405,386</u>
Liabilities and Fund Equity				
Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund balances:				
Reserved for:				
Conservation purposes	-	-	-	405,386
Unreserved:				
Designated for closure and postclosure care	-	-	-	-
Undesignated	58,249	1,681	1,899	-
Total fund equity	<u>58,249</u>	<u>1,681</u>	<u>1,899</u>	<u>405,386</u>
Total liabilities and fund equity	<u>\$ 58,249</u>	<u>\$ 1,681</u>	<u>\$ 1,899</u>	<u>\$ 405,386</u>

See accompanying independent auditor's report.

Guthrie County Historical Village Foundation		Total
\$	-	\$ 233,967
	44,972	450,358
	-	399
	-	743
	-	5,079
\$	<u>44,972</u>	\$ <u>690,546</u>
\$	<u> </u>	\$ <u> </u>
	44,972	537,543
	-	10,000
	-	143,003
	<u>44,972</u>	<u>690,546</u>
\$	<u>44,972</u>	\$ <u>690,546</u>

GUTHRIE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	Flood and Erosion	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for service	-	4,167	-	-
Use of money and property	-	103	-	-
Miscellaneous	-	-	-	-
Total revenues	-	4,270	-	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	2,520	-	-	-
Government services to residents	-	4,936	-	-
Total expenditures	2,520	4,936	-	-
Excess (deficiency) of revenues over (under) expenditures	(2,520)	(666)	-	-
Fund balances beginning of year	33,108	14,336	14	8,914
Fund balances end of year	\$ 30,588	\$ 13,670	\$ 14	\$ 8,914

<u>Conservation Land Acquisition</u>	<u>Landfill Transfer Station Closure</u>	<u>Resource Enhancement and Protection</u>	<u>Canine</u>	<u>Attorney Seized Property</u>	<u>Sheriff Investigations</u>
\$ -	\$ -	\$ 9,756	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	2,141	157	-	890
-	-	-	50	152	407
-	-	11,897	207	152	1,297
-	-	-	566	950	2,283
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	566	950	2,283
-	-	11,897	(359)	(798)	(986)
20,769	10,000	75,288	4,951	1,231	3,180
<u>\$ 20,769</u>	<u>\$ 10,000</u>	<u>\$ 87,185</u>	<u>\$ 4,592</u>	<u>\$ 433</u>	<u>\$ 2,194</u>

GUTHRIE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS Year Ended June 30, 2006

	<u>Fairgrounds Amphitheater</u>	<u>Work Release Program</u>	<u>Healthy Activities/ Wellness</u>	<u>Prairie Woodland Conservation Foundation</u>
Revenues:				
Intergovernmental	\$ -	\$ 25	\$ -	\$ -
Charges for service	-	-	-	-
Use of money and property	-	-	8	8,632
Miscellaneous	-	-	1,036	15,739
Total revenues	<u>-</u>	<u>25</u>	<u>1,044</u>	<u>24,371</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	1,753	-
County environment and education	-	-	-	7,722
Government services to residents	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,753</u>	<u>7,722</u>
Excess (deficiency) of revenues over (under) expenditures	-	25	(709)	16,649
Fund balances beginning of year	<u>58,249</u>	<u>1,656</u>	<u>2,608</u>	<u>388,737</u>
Fund balances end of year	<u>\$ 58,249</u>	<u>\$ 1,681</u>	<u>\$ 1,899</u>	<u>\$ 405,386</u>

See accompanying independent auditor's report.

Guthrie County	
Historical	
Village	
Foundation	Total
<hr/>	
\$ -	\$ 9,781
-	4,167
434	12,365
21,644	39,028
<hr/>	
22,078	65,341
<hr/>	
-	3,799
-	1,753
25,620	35,862
-	4,936
<hr/>	
25,620	46,350
<hr/>	
(3,542)	18,991
48,514	671,555
<hr/>	
\$ 44,972	\$ 690,546
<hr/>	

GUTHRIE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS June 30, 2006

	<u>County Offices</u>		<u>Agricultural</u>	<u>Drainage</u>
	<u>County</u>	<u>County</u>	<u>Extension</u>	<u>Districts</u>
	<u>Recorder</u>	<u>Sheriff</u>	<u>Education</u>	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 2,386	\$ 7,290
Other County officials	22,468	3,799	-	-
Receivables:				
Property tax:				
Delinquent	-	-	1,444	-
Succeeding year	-	-	133,000	-
Accounts	61	-	-	-
Accrued interest	-	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Drainage assessments	-	-	-	11,116
Due from other governments	-	-	-	-
Prepaid expense	-	-	-	-
	<hr/>			
Total assets	\$ <u>22,529</u>	\$ <u>3,799</u>	\$ <u>136,830</u>	\$ <u>18,406</u>
LIABILITIES				
Accounts payable	\$ 11,589	\$ 3,035	\$ -	\$ -
Due to other governments	10,940	-	136,830	18,406
Trusts payable	-	764	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	\$ <u>22,529</u>	\$ <u>3,799</u>	\$ <u>136,830</u>	\$ <u>18,406</u>

<u>Sanitary Districts</u>	<u>Sanitary Districts - Bonds and Interest</u>	<u>County Assessor</u>	<u>Special Assessments</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>
\$ 1,344	\$ 9,841	\$ 131,980	\$ 5,257	\$ 113,512	\$ 5,440	\$ 38,687
-	-	-	-	-	-	-
8	-	3,477	-	68,627	3,293	21,783
7,000	-	321,000	-	6,348,000	306,000	2,288,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	20,819	-	-	-
-	-	-	80,853	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,162	-	-	-	-
<u>\$ 8,352</u>	<u>\$ 9,841</u>	<u>\$ 457,619</u>	<u>\$ 106,929</u>	<u>\$ 6,530,139</u>	<u>\$ 314,733</u>	<u>\$ 2,348,470</u>
\$ -	\$ -	\$ 89	\$ -	\$ -	\$ -	\$ -
8,352	9,841	446,191	106,929	6,530,139	314,733	2,348,470
-	-	-	-	-	-	-
-	-	11,339	-	-	-	-
<u>\$ 8,352</u>	<u>\$ 9,841</u>	<u>\$ 457,619</u>	<u>\$ 106,929</u>	<u>\$ 6,530,139</u>	<u>\$ 314,733</u>	<u>\$ 2,348,470</u>

GUTHRIE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 10,439	\$ 32	\$ 221,841	\$ 18
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	2,942	19	-	-
Succeeding year	1,257,000	2,000	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expense	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>1,270,381</u>	\$ <u>2,051</u>	\$ <u>221,841</u>	\$ <u>18</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	
Due to other governments	1,270,381	2,051	221,841	18
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ <u>1,270,381</u>	\$ <u>2,051</u>	\$ <u>221,841</u>	\$ <u>18</u>

<u>County Hospital</u>	<u>Emergency Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
\$ 14,986	\$ 18,786	\$ 390	\$ 187	\$ 582,416
-	-	-	-	26,267
9,071	-	-	-	110,664
1,212,000	-	-	-	11,874,000
-	-	-	-	61
-	-	1	-	1
-	-	-	-	20,819
-	-	-	-	80,853
-	-	-	-	11,116
-	2,891	389	-	3,280
-	-	-	-	1,162
<u>\$ 1,236,057</u>	<u>\$ 21,677</u>	<u>\$ 780</u>	<u>\$ 187</u>	<u>\$ 12,710,639</u>
\$ -	\$ 764	\$ -	\$ -	\$ 15,477
1,236,057	20,913	780	-	12,682,872
-	-	-	187	951
-	-	-	-	11,339
<u>\$ 1,236,057</u>	<u>\$ 21,677</u>	<u>\$ 780</u>	<u>\$ 187</u>	<u>\$ 12,710,639</u>

GUTHRIE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

	County Offices		Agricultural	Drainage
	County	County	Extension	Districts
	Recorder	Sheriff	Education	
ASSETS AND LIABILITIES				
Balances beginning of year,as restated	\$ 18,944	\$ -	\$ 128,557	\$ 19,205
Additions:				
Property and other County tax	-	-	132,843	-
Payments in lieu of taxes	-	-	15	-
State tax credits	-	-	7,300	-
Office fees and collections	260,843	40,843	-	-
Assessments	-	-	-	1,321
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	109,165	-	-
Miscellaneous	-	-	-	-
Total additions	260,843	150,008	140,158	1,321
Deductions:				
Agency remittances:				
To other funds	124,319	36,596	-	-
To other governments	132,939	1,212	131,885	2,120
Trusts paid out	-	108,401	-	-
Total deductions	257,258	146,209	131,885	2,120
Balances end of year	\$ 22,529	\$ 3,799	\$ 136,830	\$ 18,406

<u>Sanitary Districts</u>	<u>Sanitary Districts - Bonds and Interest</u>	<u>County Assessor</u>	<u>Special Assessments</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>
\$ <u>16,083</u>	\$ <u>9,841</u>	\$ <u>428,315</u>	\$ <u>152,616</u>	\$ <u>5,979,244</u>	\$ <u>291,374</u>	\$ <u>1,791,941</u>
1,344	-	321,517	-	6,506,844	306,900	2,261,687
-	-	36	-	648	34	-
252	-	17,578	-	348,277	16,645	131,148
-	-	-	-	-	-	-
57,238	-	-	38	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	31,305	626	-	-	-	-
<u>58,834</u>	<u>31,305</u>	<u>339,757</u>	<u>38</u>	<u>6,855,769</u>	<u>323,579</u>	<u>2,392,835</u>
-	-	-	-	-	-	-
66,565	31,305	310,453	45,725	6,304,874	300,220	1,836,306
-	-	-	-	-	-	-
<u>66,565</u>	<u>31,305</u>	<u>310,453</u>	<u>45,725</u>	<u>6,304,874</u>	<u>300,220</u>	<u>1,836,306</u>
\$ <u><u>8,352</u></u>	\$ <u><u>9,841</u></u>	\$ <u><u>457,619</u></u>	\$ <u><u>106,929</u></u>	\$ <u><u>6,530,139</u></u>	\$ <u><u>314,733</u></u>	\$ <u><u>2,348,470</u></u>

GUTHRIE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2006

	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ <u>1,186,149</u>	\$ <u>3,284</u>	\$ <u>240,738</u>	\$ <u>15</u>
Additions:				
Property and other County tax	1,558,178	428	-	-
Payments in lieu of taxes	32	-	-	-
State tax credits	35,170	97	-	-
Office fees and collections	-	-	-	-
Assessments	-	-	-	-
Auto license, use tax, drivers license and postage	-	-	2,805,723	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	172
Total additions	<u>1,593,380</u>	<u>525</u>	<u>2,805,723</u>	<u>172</u>
Deductions:				
Agency remittances:				
To other funds	-	-	108,697	-
To other governments	1,509,148	1,758	2,715,923	169
Trusts paid out	-	-	-	-
Total deductions	<u>1,509,148</u>	<u>1,758</u>	<u>2,824,620</u>	<u>169</u>
Balances end of year	\$ <u><u>1,270,381</u></u>	\$ <u><u>2,051</u></u>	\$ <u><u>221,841</u></u>	\$ <u><u>18</u></u>

See accompanying independent auditor's report.

<u>County Hospital</u>	<u>Emergency Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Tax Sale Redemption</u>	<u>Refunds</u>	<u>Total</u>
\$ 807,540	\$ 16,186	\$ 728	\$ 187	\$ -	\$ 11,090,947
1,212,532	-	-	-	-	12,302,273
92	-	-	-	-	857
45,853	-	-	-	-	602,320
-	-	4,120	-	-	305,806
-	-	-	-	-	58,597
-	-	-	-	-	2,805,723
-	-	-	128,374	-	237,539
-	51,041	8	-	1,075	84,227
1,258,477	51,041	4,128	128,374	1,075	16,397,342
-	-	-	-	-	269,612
829,960	45,550	4,076	-	1,075	14,271,263
-	-	-	128,374	-	236,775
829,960	45,550	4,076	128,374	1,075	14,777,650
\$ 1,236,057	\$ 21,677	\$ 780	\$ 187	\$ -	\$ 12,710,639

GUTHRIE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and other County tax	\$ 4,323,869	\$ 3,761,829	\$ 3,308,558	\$ 2,023,158
Interest and penalty on property tax	45,264	48,267	47,257	36,371
Intergovernmental	4,846,202	4,750,377	4,506,027	4,103,546
Licenses and permits	33,363	31,344	33,060	27,877
Charges for service	446,516	422,087	645,368	579,604
Use of money and property	257,413	242,701	190,087	171,266
Fines, forfeitures and defaults	-	-	-	7,491
Miscellaneous	411,562	450,952	199,279	225,244
Total	<u>\$ 10,364,189</u>	<u>\$ 9,707,557</u>	<u>\$ 8,929,636</u>	<u>\$ 7,174,557</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 864,607	\$ 805,764	\$ 813,388	\$ 858,199
Physical health and social services	928,032	962,820	972,204	1,037,535
Mental health	1,153,323	1,221,325	1,188,315	1,155,757
County environment and education	932,812	1,058,489	894,099	838,822
Roads and transportation	3,423,614	4,675,573	2,959,480	3,035,064
Government services to residents	471,004	360,388	313,206	308,926
Administration	733,635	742,589	697,703	873,594
Non-program	-	940	10,164	-
Debt Service	340,512	292,864	304,272	106,220
Capital projects	461,125	586,389	514,861	1,042,239
Total	<u>\$ 9,308,664</u>	<u>\$ 10,707,141</u>	<u>\$ 8,667,692</u>	<u>\$ 9,256,356</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Guthrie County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Guthrie County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Guthrie County and other parties to whom Guthrie County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Guthrie County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 7, 2006

GUTHRIE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff, Transfer Station/ Landfill, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Recorder
(4) The custodian of County investments should be an employee separate from the person responsible for the detailed record-keeping of the investments.	Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

GUTHRIE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-06 Segregation of Duties (continued)

Responses –

Ag Extension – We are a small office with limited staff. We will continue to try to segregate duties.

County Recorder – We are a small office with limited staff. We will continue to try to segregate duties.

County Sheriff – Sheriff Baird has acquired a book to randomly record mail receipts on different days during each month so a check can be made to see that receipts are recorded and accounted for in the Sheriff's cash box.

County Treasurer – We will try to include more people in listing, collecting and depositing, although with people constantly on vacation or sick it is tough. Everyone signs checks in our office so it is difficult to remedy this problem. We will have to look at this and maybe try to make some changes. I will try and designate another person to take turns with part of the investments.

Transfer Station/Landfill – With normally only one office person on duty at a time at the Transfer Station it is not possible to have a check over the incoming funds. We do have the Treasurer's receipts returned to the Director's office for review to see that receipts are current. Also, funds that need not be funneled through the Transfer Station (such as the per capita city payments, etc.) do come directly to the Director's office as well. Beyond that it is difficult to do much more to oversee the daily receipts.

Conclusion – Responses acknowledged. For those offices with limited staff, other County personnel could be used to provide additional control through review of financial statements. Also, the reviews performed by an independent person should be evidenced by initials or signature of the reviewer and the date of review.

I-B-06 Information System – The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Procedures to ensure critical files which reside on individual computer hard drives are backed up on a regular basis.
- Requiring passwords to be changed and use of password history to prevent reuse of passwords.
- Password length set at a minimum number of characters.
- A lockout function if a person repeatedly enters a password incorrectly.
- A written disaster recovery plan.

Recommendation – The County should review its control activities and policies in its information system to determine appropriate controls or policies are implemented for each item presented above.

GUTHRIE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-B-06 Information System (continued)

Response – Essential data from personal computers is stored redundantly on the server, and backed up nightly. Back up tapes are removed daily and stored off-site overnight.

Data stored on personal computers is accessible to staff within the respective office for the daily operation of office business. Data on personal computers is not accessible to staff outside the respective offices.

Password specifications are not in place, but will be suggested to the respective department heads.

A written disaster recovery plan is not currently in place. A recovery plan will be suggested to the Board of Supervisors as a priority issue.

Conclusion – Response accepted.

I-C-06 Authorized Check Signer – We noted that the former County Treasurer is still listed as an authorized check signer for one account at Guthrie County State Bank.

Recommendation – The County Treasurer should update the authorized signatures to remove the former Treasurer's name as soon as possible to protect the underlying asset. All authorized signatures should be updated in a timely manner in the future.

Response – We have now corrected this situation by updating all authorized signature cards and we will properly update all records as needed in the future.

Conclusion – Response accepted.

GUTHRIE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the Capital Projects function prior to amendment of the budget. In addition, disbursements exceeded budgeted amounts in the County Assessor's Office prior to amendment of the budget. Also, disbursements in certain departments exceeded the amounts appropriated prior to being amended and at year end.

Recommendation – The budgets should have been amended by the County and by the County Assessor in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Responses –

County Auditor – We will amend the budget when required and appropriations will be watched more closely by the departments.

County Assessor – We will amend the budget when required in the future.

Conclusion – Responses accepted.

- II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-06 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tim Benton, spouse of County Attorney	Witness transportation	\$ 17 (a)
Keith Wirt, father of County Supervisor		
Kevin Wirt	Right-of-way	7,480 (b)
Robert Kreimeyer, spouse of County Treasurer	Transportation	28 (a)
Cheryl Jensen, employee, spouse is owner of Jensen Sanitation	Conservation garbage/sewer	825 (a)
Stephan Eischeid, employee, father of Austin Eischeid	Roadside mowing, per bid	9,672 (b)
Amy Badger, employee, husband is owner of Badger Sanitation	Garbage pickup, per bid	2,501 (b)

GUTHRIE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-D-06 Business Transactions (continued)

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

The transactions designated with a (b) do not represent a conflict of interest since they were entered into through competitive processes.

II-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

II-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

II-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

II-J-06 Deficit Fund Balance – The Urban Renewal Fund had an unreserved, undesignated deficit fund balance of \$128,646 at June 30, 2006.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – This deficit is related primarily to timing differences between tax increment revenues and current obligations. The position of this fund has been improving steadily over the past few years.

Conclusion – Response accepted.

GUTHRIE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-K-06 Publication of Annual Report – We noted that the publication of the Auditor’s annual cash basis report, required by Chapter 331.403(1) of the Code of Iowa was not completed accurately. The budgetary column of this report included the amounts as originally adopted instead of the amended budgetary amounts and some amounts in the other special revenue column were not reported accurately.

Recommendation – The Auditor should insure that all required future reports and publications are accurate.

Response – This was an oversight for this year. All reports and publications in the future will be accurate.

Conclusion – Response accepted.

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